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**FOURTH SECTOR  
NETWORK LEGAL  
STRATEGY GROUP**

# Nomenclature for Fourth Sector Activity

- Philanthropic capitalism
- Hybrid organization
- Corporate citizenship
- Social enterprise
- For-Benefit company
- B Corporation
- Fourth Sector Organizations
- Cooperative corporation
- Social entrepreneurship
- Cooperative Societies
- Community Interest Corporations (U.K)
- Social Business
- Empresa (Latin America)
- Social economy enterprise
- Le cooperative de solidarite
- Societés à finalité sociale
- Social Cooperatives
- Sociedad Laboral (Spanish worker-owned LLC)
- Corporate social responsibility/ *responsabilité sociale de l'entreprise*
- Social investment

# List of Domestic Fourth Sector Activity

- ◎ New legal entities
  - Socially Responsible Corporation (SRC's)
  - Non-profit Limited Liability (Non-profit LLC)
  - Low-profit LLC (L3C)
- ◎ Certification processes:
  - B Corporations (B lab)
  - Sustainable Business Achievement Ratings (S-bar)
  - LEED certification
- ◎ Tax incentives
  - New Markets Tax Credit Program

# Common International Solutions proposed for Fourth Sector Organizations

- Tax Incentives (Italy, U.K...)
- Legal Entity proposal (France, Belgium, Quebec, Spain, Portugal)
- Revise corporate statutes (U.K., New Zealand, Singapore, Spain, S. Korea, Ireland...)
- Adoption of voluntary compliance codes (Asia, Europe, America, Australia...)

# List of International Fourth Sector Activity

## Spain

- ◉ Worker-owned limited liability company (Sociedad Laboral)
- ◉ Mondragon's Cooperative Corporation
- ◉ Social Cooperatives

## Belgium

- ◉ Sociétés à finalité sociale (SFSs)

## Italy

- ◉ Social co-operatives
- ◉ Social Solidarity Cooperatives

## Ireland

- ◉ Companies Act of 1990
- ◉ New Companies Consolidation and Reform Bill

# List of International Fourth Sector Activity

## France

- ◉ L'entreprise Citoyenne/Resonsibilite Social de L'entreprise (RSE)

## Germany

- ◉ Codetermination Act
- ◉ Council for Sustainable Development

## UK

- ◉ Companies Act/Community Interest Corporations (CICs)
- ◉ Community Investment Tax Relief (CITR)

## Russia

- ◉ Tikhvin-Chalna Project

## Australia

- ◉ Corporations Act

## Canada

- ◉ Canadian Business Corporations Act (CVCA)
- ◉ Social economy enterprises

# List of International Fourth Sector Activity

## Quebec

- La cooperative de solidarite

## Hong Kong

- "Enhancing Employment of People with Disabilities through Small Enterprise Project" (also known as "Seed Money" project)

## China

- New Labor Contract Law

## Singapore

- Singapore Compact for Corporate Social Responsibility
- Companies Act

## Japan

- Council for Better Corporate Citizenship (CBCC)

## Nigeria

- Company Law Reform Bill

# List of International Fourth Sector Activity

## New Zealand

- Companies Act
- Co-operative Companies Act
- Consular paper encouraging business partnerships between for-profit and non-profit business

## European Legislation

- Council of Lisbon
- Green Paper on CSR: Promoting a European framework for Corporate Social Responsibility
- European Commission Communication concerning corporate social responsibility: a business contribution to sustainable development
- Resolution entitled “Corporate Social Responsibility: a new partnership



# List of International Fourth Sector Activity

## International Public Law

- ⦿ International Organization Standardization(ISO): Working Group on ISO 26000 Guidance on Social Responsibility
- ⦿ UN Global Compact
- ⦿ UN Tripartite Declaration of Principles concerning Multinational Enterprises and social policy
- ⦿ UN Global Reporting Initiative (GRI) of 2002 (similar char. in 2006) Sustainability Reporting Guidelines
- ⦿ OECD Guidelines for Multinational Enterprises
- ⦿ UN Principles for responsible investment
- ⦿ Principles for Responsible Investment (PRIs)

# Summary of Global Transformation

- ⊙ Global Trends relating to social enterprise
  - Developing Countries (Vietnam, Nigeria)
  - Europe
  - Public International Law
- ⊙ Co-operative Societies: Co-op= association + enterprise (New Zealand, Italy, Spain, Portugal, Quebec...)
  - “An autonomous **association of people united voluntarily** to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled **enterprise.**”

# Examples of International Legal Entities

- ⦿ Belgium: Society for Social Purpose
- ⦿ Spain: Sociedad Laboral
- ⦿ Canada: Social Economy Enterprise

# Belgium: Society for Social Purpose (*Société à Finalité Sociale*)

## ● Introduction:

- Formed from the act of the 13 April 1995. SFS's and has come to fill the gap in the Belgian law giving legal personality to companies that combine a social purpose and the pursuit of commercial or industrial activities as principal. Under this law, every corporation can choose a social motive instead of a profit motive.

# Belgium: Society for Social Purpose (*Société à Finalité Sociale*)

## ⦿ Characteristics:

- Cannot have a commercial activity as a principal. Must engage in only a specific activity;
- Must stipulate that no dividend can be distributed;
- Goal of corporation cannot be to provide members with direct or indirect profit;
- dividends granted to members are limited to an amount annually determined by the legislator;
- Do not enjoy reduced rates for non-profit associations on donations;
- Altruistic purpose may be financed by a commercial activity;
- Limited voting power;
- Employee participation.

# Spain: Sociedad Laboral (worker managed company)

## ⦿ Introduction:

- Enacted through legislation in 1997. The Sociedad Laboral is a special type of Public Limited Company (Sociedad Anónima) OR Limited Liability Company (Sociedad de Responsabilidad Limitada).

# Spain: Sociedad Laboral (worker managed company)

## ⦿ Characteristics:

- Shares are held by workers, the *clase laboral* and those who do not work for the business, the *clase general*;
- Workers who directly contribute their labor to the business must own at least 51% of the shares;
- Workers who do NOT own shares must not work more than 15% of the total hours worked each year, or not more than 25% if the company has less than 25 workers with shares.

# Canada: Social Economy Enterprise (SEE)

## ● Introduction:

- SEEs are a component of the social economy that are run like businesses, producing goods and services for the market economy, but manage their operations and redirect their surpluses in pursuit of social and environmental goals. In 2004, \$132 million allocated to supporting capacity building, financing, and research of the social economy



# Canada: Social Economy Enterprise (SEE)

## ⦿ Characteristics:

- Serves the members of community rather than generating profits;
- Maintains an autonomous management (not government or market controlled);
- Contains democratic decision-making;
- Upholds the primacy of persons and work over capital;
- Based on principles of participation, empowerment.

# Conclusion

- ⦿ This movement is bigger than we think
- ⦿ America is behind in its support for Fourth Sector activities
- ⦿ RCI (Research Collaboration Initiative) report: Surveyed 108 countries covering over 96% of global GDP, with geographical representation on all five continents.

## Top countries focusing their efforts to promote responsible business practices (in ranking order)

<u>Country</u>	<u>RCI Rank</u>
⊙ Sweden	1
⊙ Denmark	2
⊙ Finland	3
⊙ Iceland	4
⊙ United Kingdom	5
⊙ Norway	6
⊙ New Zealand	7
⊙ Ireland	8
⊙ Australia	9
⊙ Canada	10
⊙ Germany	11
⊙ Netherlands	12
⊙ Switzerland	13
⊙ United States	18

***\*U.S. just above Japan and China, following France and Singapore.***